

Does Volcker want a financial crisis before November?

by Chris White

Is Paul Volcker organizing for a financial crisis before this year's November elections? That is the question that is increasingly being asked following a conference that was just held by the Aspen Institute at the notorious Cini Foundation on the Venetian island of St. George Major. The question comes up as a result of what Volcker told the worthies assembled there, which included not only European financial bigwigs, but also a delegation of some 20 United States political figures, like former ambassador to Italy Richard Gardner and Sen. Gary Hart.

The theme of the weeklong conference, which ended Sept. 5, was "Europe, America, and the World Economy." Volcker wasted no time sounding the alarm. "The U.S., Germany and Japan must move together," he told participants. "There is no time to lose in the next months to face the actual impasse. There are deep fissures in the world economy, and if we don't succeed to close them in time, our whole future will be in danger."

Some say that this is merely the kind of language Volcker uses to threaten the United States Congress during his regular appearances on Capitol Hill, and that, therefore, such alarmist language can be discounted. This time Volcker wasn't addressing congressmen, whose ignorance on such matters is almost legendary, but rather a group of international level financial and political heavies. When the head of the U.S. banking system starts using that kind of language, under those kinds of circumstances, something pretty big is up. That's why the warning signals began to go off.

When Volcker, as he did in Venice, talks of the "impasse" in world financial policy he is talking specifically about Japanese and German refusal to swallow part of their production capacity now devoted to exports to the United States, while

pumping money into their domestic economies. Volcker has been pressuring Germany and Japan to do this over the summer. Thus far, they have refused. The longer they refuse, the more likely it becomes that the present downward trend in U.S. interest rates will be abruptly ended, thereby occasioning a shakeout crisis within the United States.

But there is much more to it than that. The international dollar-based monetary system is past the point of bankruptcy at which its collapse is merely possible. Under present, namely, Volcker's policies, the present bankrupt monetary system will collapse at some point over the few months ahead. And it will do so, because it is ready to do so now. This is obvious to anyone adding up the figures on the U.S. trade deficit, the U.S. government deficit, overall U.S. indebtedness, and the economic depression that is gathering steam in the United States.

Dollar assets are looking less likely as secure investment instruments every day.

This situation, Volcker declared, is "unsustainable." The Fed chief added that there is a great need for "a collective economic adjustment." He pointed to the upcoming General Agreement on Trade and Tariffs (GATT) meetings, in Portugal and in Uruguay, and the Sept. 27 meeting of the "Big 7" finance ministers in Washington as the next occasions to seek a solution.

The difference between Volcker addressing the Venice gathering in this way, and Volcker addressing Congress was highlighted by Flora Lewis' coverage of the conference. "A mood of crisis, near-panic and gloom about the world economic situation prevailed at the Venice Cini Foundation/Aspen Institute conference which concluded yesterday," Lewis wrote Sept. 6 in the *International Herald Tribune*. She

gets out the message underlying Volcker's speech: "There has been a change in the assessment of world economic prospects, clearly reflected in an Aspen Institute conference here [in Venice]. . . . [The] outlook was so gloomy that some U.S. Democrats wondered out loud why candidates in their party were trying so hard to take responsibility for the Reagan legacy. Remarkably, there was almost complete consensus on what is wrong and what should be done about it—and so little on diagnosis and prescription. . . . Some at the conference had reached the point almost of hoping for crisis, a serious jolt that will oblige leaders to tell the facts of world economic life to the public and to act before the damage is overwhelming. The news is the sense of urgency and the contrast."

Similar views were expressed to a very different audience just before the Cini Foundation conference convened. Specifically, in *Pravda*, on Aug. 26, in an article entitled "Illusions Shattered": ". . . While President Reagan continues to insist that the 'economy remains healthy' and Americans can look forward to a 'bright future,' most experts believe that the stormclouds are gathering. . . . Only a few months ago, observers believed that the fall in the bank interest rate and in the dollar rate against other currencies offered the U.S. economy new potential for growth. But instead, it had a sudden 'fainting fit.' The GNP growth rate fell to 1.1% in the 2nd quarter of 1986, reaching its lowest level since the 1982 slump. This effectively invalidated all previous forecasts."

The Cini Foundation

Venice's Cini Foundation, based on the old site of the Benedictine monastery on the island of St George Major, is the mother organization and center for that oligarchic faction within the West which created Bolshevism and its twin Nazism. The concordance between the evaluation of the Russians, and the Cini conference participants, on the economic situation of the United States, and the almost joint timing of the release of those evaluations, is not simple coincidence.

For the last 25 years, approximately, the follies of U.S. economic policy have been the most effective strategic weapon in the Russian military and political arsenal. Under the governance of the ideas associated with the military doctrine of "mutually assured destruction," the U.S. stripped down the in-depth technological and industrial capabilities on which the capacity to fight war is based. Robert Strange McNamara, the establishment lunatic most closely associated with that policy, was one of the participants at the meeting. The dismantling of U.S. capabilities accelerated during the period after 1979, when, under Volcker's ruinous credit policy, the country was plunged into depression. This policy created the financial vulnerabilities, the biggest debt bubble of all time, which, it seems Volcker is now proposing to exploit, perhaps, before the November elections.

The concordance with the Russians was further exemplified by Gianni Agnelli's proposed solutions to the crisis.

Speaking in the language of the Trilateral Commission, he put forward the traditional conception in which the appeasers' sell-out to the East is couched, that is, the idea of a unified Europe, of what he called "a European nation."

Why before November?

Why would this combination consider the unleashing of a financial crisis, before the November elections? To assist in derailing what the Russians perceive to be the growing influence of Lyndon LaRouche within the United States. Those who play this game thereby demonstrate that they have indeed taken leave of their senses.

On the Russian side, the evaluation of the heightened collapse potentials of the United States coincides with a broader economic offensive conducted internationally. Russia is moving into the vacuum created by the self-destruction of U.S. economic policy. The upcoming GATT talks, referenced by Volcker, have been one focus for this activity, as also are the ongoing meetings of the Soviet-West German economic commission in Baku.

On the first, Moscow surprised GATT's Geneva secretariat last month with a formal request to either join, or enjoy observer status. Mikhail Pankine, head of the international organizations division at the Soviet foreign trade ministry, called a Geneva news conference to reject Western criticism and declare that changes were indeed being made in the Soviet economy. "Major decisions have been taken in the U.S.S.R. aiming at a fundamental restructuring of the external economic management system. This process would lead to even greater Soviet involvement in the international trading system," he said. He added that Soviet firms were getting more freedom to do business independently with partners abroad. "This would be more flexible, not as rigid as the system that used to be." In subsequent comments to the Reuters agency, Pankine added: "We hear these negotiations will lay the groundwork for the global trading system in the 21st Century—how could we not be interested."

This same line was retailed in the discussions with the German council by the Chairman of the state bank Dementsev, as talks opened in the southern Soviet city of Baku. Tass said Dementsev had reviewed guidelines for the expansion of Soviet business ties in the context of a restructuring of Moscow's foreign economic relations. "What I'm speaking about is the development of new forms of economic cooperation, including scientific and technical cooperation and co-production arrangements," Tass quoted Dementsev as saying. "The Soviet Union is interested in the further development of cooperation with Western partners on a long-term, stable and balanced basis, all of which fully apply to economic relations with West Germany."

No doubt, under their current war mobilization regime, the Russians consider the activities of Volcker and his friends at the Cini Foundation to be a potentially decisive part of this.